

AUDITING PROCEDURES REPORT

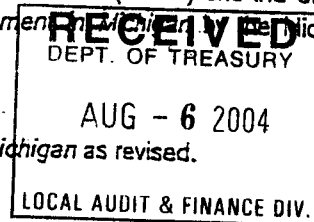
Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Warner Township		County Antrim
Audit Date 3/31/04	Opinion Date 6/21/04	Date Accountant Report Submitted to State: 8/5/04		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan, as required by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.



We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

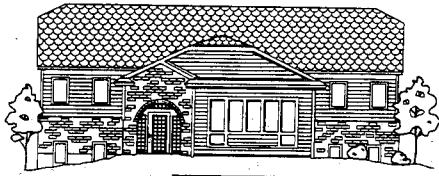
Certified Public Accountant (Firm Name) Keskine, Cook, Miller, Smith & Alexander LLP			
Street Address 100 West First Street	City Gaylord	State MI	ZIP 49735
Accountant Signature <i>Rachel Trisch</i>			

TOWNSHIP OF WARNER
ANTRIM COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004

WARNER TOWNSHIP

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Keskin, Cook, Miller, Smith & Alexander LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

June 21, 2004

To the Township Board
Warner Township
Antrim County, Michigan

We have audited the accompanying financial statements of the governmental activities and the major funds of the Township of Warner, as of and for the year ended March 31, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities and the major funds of the Township of Warner as of March 31, 2004, and the respective changes in financial position thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note B, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of March 31, 2004.

The management's discussion and analysis on pages 3-5 and budgetary comparison information on pages 23-25 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

K. K. Cook, Mich Smith, Alexander LLP
KESKINE, COOK, MILLER, SMITH & ALEXANDER, LLP

Warner Township

ANTRIM COUNTY
ELMIRA, MICHIGAN 49730

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Warner Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended March 31, 2004. Please read it in conjunction with the financial statements that immediately follow this section.

Financial Highlights

Our financial status remained stable over the last year.

Overall revenues were approximately \$133,000, of which \$1,600 is classified as program revenues, and \$131,000 is classified as general revenues (consisting primarily of state shared revenues and property taxes). Total revenues have decreased slightly due to the cutbacks in state shared revenue. Overall expenses totaled approximately \$95,000, which is consistent with the prior year. The activities of the Township have remained the same.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities. The remaining statements are fund financial statements, which focus on the detailed activities of the Township's funds.

The notes to the financial statements explain some of the information in the statements and provide more detailed data. Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

Government-Wide Statements

The government-wide statements report information about the Township as a whole using accounting methods used by private companies. The Statement of Net Assets includes all of the Township's assets and liabilities. The Statement of Activities records all of the current year revenues and expenses regardless of when received or paid.

The two government-wide statements report net assets and how they have changed. Net assets are the difference between the Township's assets and liabilities and this is one method to measure the Township's financial health or position.

Over time, increases or decreases in an entity's net assets is an indicator of whether financial position is improving or deteriorating.

To assess overall health of an entity, you may also have to consider tax base changes and other various economic conditions.

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's funds. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following kinds of funds:

Governmental Funds: All of the Township's activities are classified in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that differences between the government-wide statements and the fund statements are disclosed to explain the difference between them.

General Fund – this fund accounts for all activities of the Township not required to be reported in a separate fund. Revenues consist primarily of property taxes and state shared revenues. Expenditures consist of general government activities, cemetery, building and grounds and street lights.

Roads Fund – this fund accounts for the road millage and road repair and maintenance expenditures.

Fire Fund – this fund accounts for the fire millage and payments to the Elmira-Warner Fire Authority.

Ambulance Fund – this fund accounts for the ambulance millage and payments to the Township Ambulance Authority.

Financial Analysis of the Township as a Whole

Net Assets - the Township's net assets increased by \$37,879 during the year ended March 31, 2004 totaling at year-end \$275,093. The positive change in net assets is due primarily to an increase in property tax dollars, and reimbursements from the State of Michigan for tax collection services.

Capital Asset and Long-Term Debt Activity

The Township purchased a new computer system for the clerk during the year, in the amount of \$1,010. Depreciation expense totaled \$659.


The Township has no outstanding long-term debt.

Known Factors affecting Future Operations

None.

Contacting Township Management

This financial report is designed to provide our taxpayers, creditors and investors with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have questions concerning this report, please contact any member of the Township Board at 2434 Ray Street, Elmira, MI 49730.


Matthew Dobrzelewski, Supervisor

**TOWNSHIP OF WARNER
STATEMENT OF NET ASSETS
MARCH 31, 2004**

ASSETS	
Current Assets:	
Cash and Equivalents	\$ 243,371
Delinquent Taxes Receivable from County	10,889
Total Current Assets	<u>254,260</u>
Non-Current Assets:	
Capital Assets	37,972
Accumulated Depreciation	(13,130)
Total Non-Current Assets	<u>24,842</u>
Total Assets	<u><u>279,102</u></u>
LIABILITIES	
Current Liabilities:	
Accrued Liabilities	482
Due to Other Governments	3,527
Total Liabilities	<u><u>4,009</u></u>
NET ASSETS	
Invested in Capital Assets	24,842
Reserved for Roads	95,578
Unreserved	154,673
Total Net Assets	<u><u>\$ 275,093</u></u>

See accompanying notes to financial statements.

**TOWNSHIP OF WARNER
STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2004**

	P R O G R A M R E V E N U E S				NET REVENUES/ (EXPENSES) & CHANGE IN NET ASSETS
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS & CONTRI- BUTIONS	CAPITAL GRANTS & CONTRI- BUTIONS	
GOVERNMENTAL ACTIVITIES					
Township Administration	\$ (53,943)	\$ 150	\$ 1,208	\$ -	\$ (52,585)
Ambulance Services	(14,643)	-	-	-	(14,643)
Cemetery	(1,100)	200	-	-	(900)
Fire Protection	(16,101)	-	-	-	(16,101)
Township Building and Grounds	(808)	-	-	-	(808)
Road Repair and Maintenance	(8,240)	-	-	-	(8,240)
Zoning and Planning	(62)	26	-	-	(36)
Total Governmental Activities	(94,897)	376	1,208	-	(93,313)
GENERAL REVENUES					
Property Taxes, Levied for:					
General Operating					15,475
Roads					44,036
Fire					14,579
Ambulance					14,643
Property Tax Administration Fee					4,656
State Shared Revenue (not restricted to specific purpose)					32,814
Interest Income					4,581
Other					408
Total General Revenues					131,192
Change in Net Assets					37,879
Net Assets - Beginning of Year					237,214
Net Assets - End of Year					\$ 275,093

See accompanying notes to financial statements.

**TOWNSHIP OF WARNER
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2004**

ASSETS

Cash and Equivalents
Delinquent Taxes Receivable - Due from
Antrim County
Total Assets

LIABILITIES AND FUND EQUITY

Liabilities:
Accrued Liabilities
Due to Other Governments
Total Liabilities

Fund Equity:
Fund Balance
Total Liabilities and Fund Equity

GENERAL	ROADS	FIRE	AMBU- LANCE	TOTAL
\$ 153,084	\$ 90,287	\$ -	\$ -	\$ 243,371
2,071	5,291	1,760	1,767	10,889
155,155	95,578	1,760	1,767	254,260
482	-	-	-	482
-	-	1,760	1,767	3,527
482	-	1,760	1,767	4,009
154,673	95,578	-	-	250,251
\$ 155,155	\$ 95,578	\$ 1,760	\$ 1,767	\$ 254,260

See accompanying notes to financial statements.

**TOWNSHIP OF WARNER
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
MARCH 31, 2004**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS (PER BALANCE SHEET - PAGE 8)	\$ 250,251
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Amounts reported for governmental activities in the Statement of Net
Assets (page 6) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not used in the funds	24,842
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TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES (PER STATEMENT OF NET ASSETS - PAGE 6)	\$ 275,093
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See accompanying notes to financial statements.

**TOWNSHIP OF WARNER
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2004**

	GENERAL	ROADS	FIRE	AMBU- LANCE	TOTAL
REVENUES					
Taxes and Assessments	\$ 15,475	\$ 44,036	\$ 14,579	\$ 14,643	\$ 88,733
State Revenue Sharing	32,814	-	-	-	32,814
Charges for Services	5,864	-	-	-	5,864
Interest	4,581	-	-	-	4,581
Other	785	-	-	-	785
Total Revenues	59,519	44,036	14,579	14,643	132,777
EXPENDITURES					
General Government	55,553	-	-	-	55,553
Cemetery	1,100	-	-	-	1,100
Street Lights	578	-	-	-	578
Jordan River Watershed	62	-	-	-	62
Roads	-	7,212	-	-	7,212
Fire Protection	-	-	16,101	-	16,101
Ambulance Services	-	-	-	14,643	14,643
Total Expenditures	57,293	7,212	16,101	14,643	95,249
Excess (Deficiency) of Revenues over Expenditures	2,226	36,824	(1,522)	-	37,528
OTHER FINANCING SOURCES/(USES)					
Operating Transfers In/(Out)	(1,522)	-	1,522	-	-
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	704	36,824	-	-	37,528
Fund Balance - Beginning of Year	153,969	58,754	-	-	212,723
Fund Balance - End of Year	\$ 154,673	\$ 95,578	\$ -	\$ -	\$ 250,251

See accompanying notes to financial statements.

**TOWNSHIP OF WARNER
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF NET ASSETS
MARCH 31, 2004**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS - PAGE 10	\$ 37,528
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Amounts reported for governmental activities in the Statement of Activities (page 7) are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives	1,010
Depreciation expense is recorded in the Statement of Activities but not the governmental fund financial statements.	(659)

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES (PER STATEMENT OF NET ASSETS - PAGE 6)	\$ 37,879
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See accompanying notes to financial statements.

**TOWNSHIP OF WARNER
STATEMENT OF FIDUCIARY NET ASSETS
MARCH 31, 2004**

	ASSETS	
Cash		\$ -
		<hr/>
	LIABILITIES	
Due to Other Governments		-
		<hr/>
	NET ASSETS	
Net Assets Held in Trust for Other Governments		\$ -
		<hr/> <hr/>

See accompanying notes to financial statements.

**TOWNSHIP OF WARNER
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
YEAR ENDED MARCH 31, 2004**

ADDITIONS

Taxes, Interest, and Penalties Collected for Warner Township	\$ 88,733
Taxes, Interest, and Penalties Collected for Other Governmental Units	360,730
Total Additions	<u>449,463</u>

DEDUCTIONS

Taxes, Interest, and Penalties Remitted to Warner Township	88,733
Taxes, Interest, and Penalties Remitted to Other Governmental Units	360,730
Total Deductions	<u>449,463</u>

Change in Net Assets	-
Net Assets - Beginning of Year	<u>-</u>
Net Assets - End of Year	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

**TOWNSHIP OF WARNER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004**

NOTE A: ENTITY

The Township of Warner is a general law township of the State of Michigan located in Antrim County, Michigan. It operates under an elected board and provides service to its residents in many areas including law enforcement, community enrichment, and human services.

The criteria established for the reporting entity's financial statements include oversight responsibility, scope of public service and special financing relationships. On this basis, the financial statements include all of the governmental functions of Warner Township.

RELATED ORGANIZATIONS

The Township is affiliated with two organizations, the Elmira-Warner Fire Authority and the Township Ambulance Authority. Under the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity", as amended by GASB No. 39 "Determining Whether Certain Organizations are Component Units", the activities of these organizations are not recorded in the Township's financial statements and are audited under separate cover. The only activity reported in the Township's financial statements with respect to fire protection and ambulance services is the collection of property taxes levied under the name of Warner Township, and the allocation of the property tax dollars to the respective organizations.

Elmira-Warner Fire Authority

The Authority was created October 1, 2002 by Elmira and Warner Townships under Public Act 57 of 1988, as amended, for the purpose of furnishing fire/rescue services in the Townships. The Authority operates under a separate 5-member board. Audited financial statements can be obtained at 2035 Mt. Jack Road, Elmira, MI 49730.

Township Ambulance Authority

The Authority was created November 1, 2002 by nine area Townships (including Warner Township) under Public Act 57 of 1988, as amended. The Authority was created to provide a stable and reliable ambulance service to the residents and visitors within the respective Townships. The Authority operates under a separate 9-member board. Audited financial statements are located at P.O. Box 332, Mancelona, MI 49659.

**TOWNSHIP OF WARNER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices of Warner Township are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations including required disclosures of the Township's financial activities.

The accounting policies of Warner Township conform to the generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

On April 1, 2003, the Township adopted the new governmental reporting model and implemented Governmental Accounting Standards Board (GASB) Statement No. 34 "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" and Statement No. 38 "Certain Financial Statement Note Disclosures".

Under the provisions of GASB Statements No. 34 and 38, the focus of the Township's financial statements has shifted from a fund focus to a government-wide focus.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Township as a whole, excluding fiduciary activities such as tax collection activities.

Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Township general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. At this time, the Township has no business-type activities.

**TOWNSHIP OF WARNER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION
(CONTINUED)**

Government-Wide Financial Statements (Continued)

The statement of activities reports the expenses of a given function offset by program revenues directly connected with functional programs. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Township's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental and fiduciary funds. Major individual governmental funds are reported in separate columns with composite columns for non-major funds. The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this note.

FUND TYPES AND MAJOR FUNDS

Governmental Funds

The Township reports the following major governmental funds:

General Fund – This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants and other inter-governmental revenues.

Roads Fund – This fund is used to account for the road millage dollars and the expenditure of those dollars on road repair and maintenance costs.

**TOWNSHIP OF WARNER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND TYPES AND MAJOR FUNDS (CONTINUED)

Governmental Funds (Continued)

Fire Fund – This fund is used to account for the fire millage dollars. The Township pays the entire millage to the Elmira-Warner Fire Authority for fire protection contractual services.

Ambulance Fund – This fund is used to account for the ambulance millage dollars. The Township pays the entire millage to the Township Ambulance Authority for contractual ambulatory services.

Other Funds

Fiduciary Funds - These funds are used to account for assets held in trust or as an agent for others. Tax collection activities are recorded in this category. Fiduciary activities are not reported in the government-wide financial statements, in accordance with GASB Statement No. 34.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The financial statements of the Township are prepared in accordance with generally accepted accounting principles (GAAP). The Township applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Township does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

Government-Wide Financial Statements

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Township departments. Fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

**TOWNSHIP OF WARNER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

Governmental Fund Financial Statements

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available.

Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Township considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Property tax revenues are recognized as follows:

Properties are assessed as of December 31 and the related property taxes are levied on December 1 of the following year. These taxes are due on February 15; uncollected amounts are subsequently added to the county delinquent tax rolls. A county revolving fund normally pays the balance of the Township's tax levy by May 31 of each year. In accordance with GASB 33 "Accounting and Financial Reporting for Nonexchange Transactions", the Township records the property tax revenue when it becomes an enforceable legal claim for the Township. Therefore, all taxes levied on December 1, 2003, are recorded as revenue in the current year. The Township's taxable value for the 2003 tax year totaled \$14,835,516.

The tax rates for the year ended March 31, 2004, were as follows:

PURPOSE	RATE/ASSESSED VALUATION
General	0.9814 mills per \$1,000
Roads	2.9506 mills per \$1,000
Fire	0.9814 mills per \$1,000
Ambulance	0.9857 mills per \$1,000

**TOWNSHIP OF WARNER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUDGET

Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional and activity basis. The approved budgets of the Township for these budgetary funds were adopted on an activity level. Budgets as adopted end on March 31 of each year. There are no carryover budget items.

The Township has adopted budgets only for its General and Roads Funds for the year ended March 31, 2004. Fire and Ambulance Fund budgets were not adopted. Accordingly, the budget-to-actual financial statements for the Fire and Ambulance funds are not presented as required supplemental information.

CAPITAL ASSETS AND DEPRECIATION

The Township's property, plant, and equipment, with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The Township generally capitalizes assets with historical cost of \$1,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	25 – 40
Land Improvements	10 – 20
Machinery and equipment	5 – 10
Vehicles	5 – 10

Land and construction in progress are not depreciated.

**TOWNSHIP OF WARNER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS AND DEPRECIATION (CONTINUED)

With respect to asset improvements, costs over \$1,000 should be capitalized if:

1. The estimated life of the asset is extended by more than 25%, or
2. The cost results in an increase in the capacity of the asset, or
3. The efficiency of the asset is increased by more than 10%, or
4. Significantly changes the character of the asset, or
5. Other wise, the cost should be expensed as repair and maintenance.

For information describing capital assets, see Note D.

**LONG-TERM DEBT, DEFERRED DEBT EXPENSE, AND BOND
DISCOUNTS/PREMIUMS**

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effect of interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

At this time, the Township has no outstanding long-term debt.

USE OF ESTIMATES

The financial statements have been prepared in conformity with generally accepted accounting principles as applicable to governments and, as such, include amounts based on informed estimates and judgements of management with consideration given to materiality. Actual results could differ from those estimates.

NOTE C: CASH AND INVESTMENTS

Cash consists of bank accounts and certificates of deposit.

The Township uses a common bank account to pool cash funds and enhance investment earnings. The pooled cash balances at March 31, 2004 are as follows:

**TOWNSHIP OF WARNER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004**

NOTE C: CASH AND INVESTMENTS (CONTINUED)

COMMON ACCOUNTS

General Fund	\$ 152,784
Roads Fund	<u>90,287</u>
	<u>\$ 243,071</u>

All cash deposits are maintained in financial institutions in Northern Michigan. The Township's deposits are categorized to give an indication of the level of risk assumed by the Township at fiscal year-end. The categories are described as follows:

Category 1 – Insured or collateralized with securities held by the Township or by its agent in the Township's name.

Category 2 – Collateralized with securities held by the pledging financial institution's trust department or agent in the Township's name.

Category 3 – Uncollateralized.

	<u>BANK BALANCE</u>	<u>1</u>	<u>CATEGORY 2</u>	<u>3</u>	<u>CARRYING AMOUNT</u>
Common Accounts	\$ 243,325	\$ 106,468	\$ -	\$ 136,857	243,071
General	<u>796</u>	<u>796</u>	<u>-</u>	<u>-</u>	<u>300</u>
Total	<u>\$ 244,121</u>	<u>\$ 107,264</u>	<u>\$ -</u>	<u>\$ 136,857</u>	<u>\$ 243,371</u>
Trust & Agency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE D: CAPITAL ASSETS

	<u>CAPITAL ASSETS NOT DEPRECIATED</u>	<u>CAPITAL ASSETS DEPRECIATED</u>		
	<u>Land</u>	<u>Buildings</u>	<u>Data Handling Equipment</u>	<u>Totals</u>
Governmental Activities				
<i>Capital Assets</i>				
Balance, April 1, 2003	\$ 6,563	\$ 30,400	\$ -	\$ 36,963
Increases	-	-	1,010	1,010
Decreases	-	-	-	-
Balance, March 31, 2004	<u>6,563</u>	<u>30,400</u>	<u>1,010</u>	<u>37,973</u>
<i>Accumulated Depreciation</i>				
Balance, April 1, 2003	-	12,472	-	12,472
Increases	-	608	51	659
Decreases	-	-	-	-
Balance, March 31, 2004	<u>-</u>	<u>13,080</u>	<u>51</u>	<u>13,131</u>
<i>Capital Assets, Net</i>	<u>\$ 6,563</u>	<u>\$ 17,320</u>	<u>\$ 959</u>	<u>\$ 24,842</u>

**TOWNSHIP OF WARNER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004**

NOTE D: CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions of the Township as follows:

Governmental Activities

Township Administration	\$	51
Buildings and Grounds		<u>608</u>
Total	\$	<u>659</u>

NOTE E: FUND BALANCE/NET ASSETS

CALCULATION OF BEGINNING NET ASSETS

The Township adopted GASB Statement No. 34 effective April 1, 2003. The following represents the reconciliation of the Townships fund balance as of April 1, 2003, to its beginning net assets balance, as presented in the Statement of Activities, for the year ended March 31, 2004:

Total Fund Balance, April 1, 2003	\$	212,723
Record capital assets		36,963
Record accumulated depreciation		<u>(12,472)</u>
Beginning Net Assets, April 1, 2003	\$	<u>237,214</u>

NOTE F: CONTINGENCIES

INSURANCE

The Township is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; error and omission; injuries to employees; and natural disasters.

The Township participates in the Michigan Township Participating plan, a self insured group. The pool is considered a public entity risk pool. The Township pays annual premiums to the pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims for each occurrence with the overall maximum coverage varying depending on the specific type of coverage of reinsurance. The Township has not been informed of any special assessments being required. There were no significant changes in coverage.

TOWNSHIP OF WARNER
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED MARCH 31, 2004

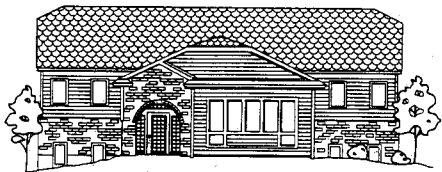
	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
REVENUES				
State Sources:				
State Revenue Sharing	\$ 29,000	\$ 29,000	\$ 27,184	\$ (1,816)
Swamp Tax	5,600	5,600	5,630	30
Summer Tax Collection				
Reimbursement	-	-	1,208	1,208
Local Sources:				
Taxes and Assessments	13,600	13,600	15,475	1,875
Property Tax Administration Fee	4,200	4,200	4,656	456
Charges for Services	-	-	150	150
Interest Income	4,500	4,500	4,581	81
Other	4,510	4,510	635	(3,875)
Total Revenues	61,410	61,410	59,519	(1,891)
EXPENDITURES				
GENERAL GOVERNMENT				
Township Board:				
Salaries-Trustees	2,680	2,680	2,080	600
Fringes	195	195	159	36
Professional Services	2,000	2,000	761	1,239
Insurance and Bonds	3,000	3,000	3,119	(119)
Printing and Publishing	700	700	73	627
Supplies/Computer Fees	800	800	917	(117)
Dues	800	800	983	(183)
Miscellaneous	100	100	1,216	(1,116)
Total Township Board	10,275	10,275	9,308	967
Township Supervisor:				
Salaries	6,500	6,500	5,892	608
Fringes	550	550	485	65
Travel and Communications	920	920	569	351
Office Supplies	500	500	223	277
Total Township Supervisor	8,470	8,470	7,169	1,301
Township Assessor:				
Salaries	8,200	8,200	8,167	33
Fringes	900	900	629	271
Office Supplies	300	300	406	(106)
Travel and Communication	1,050	1,050	690	360
Township Reappraisal	-	-	6,900	(6,900)
Miscellaneous	200	200	73	127
Total Township Assessor	10,650	10,650	16,865	(6,215)
Township Clerk:				
Salaries	7,700	7,700	7,383	317
Fringes	600	600	565	35

**TOWNSHIP OF WARNER
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED MARCH 31, 2004**

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
Township Clerk (Continued):				
Office Supplies	600	600	221	379
Travel and Communication	250	250	198	52
Miscellaneous	300	300	1,598	(1,298)
Total Township Clerk	9,450	9,450	9,965	(515)
Board of Review:				
Salaries	1,100	1,100	965	135
Office Supplies	250	250	45	205
Total Board of Review	1,350	1,350	1,010	340
Township Treasurer:				
Salaries	8,360	8,360	8,527	(167)
Fringes	650	650	656	(6)
Office Supplies	700	700	916	(216)
Travel and Communication	510	510	537	(27)
Total Township Treasurer	10,220	10,220	10,636	(416)
Building and Grounds:				
Salaries	200	200	-	200
Utilities and Maintenance	9,700	9,700	600	9,100
Total Building and Grounds	9,900	9,900	600	9,300
Total General Government	60,315	60,315	55,553	4,762
CEMETERY	8,200	8,200	1,100	7,100
STREET LIGHTS	1,100	1,100	578	522
JORDAN RIVER WATERSHED	120	120	62	58
Total Expenditures	69,735	69,735	57,293	12,442
Excess (Deficiency) of Revenues over Expenditures	(8,325)	(8,325)	2,226	10,551
OTHER FINANCING USES				
Operating Transfer Out - Fire Fund	-	-	1,522	(1,522)
Excess (Deficiency) of Revenues over Expenditures and Other Uses	(8,325)	(8,325)	704	9,029
Fund Balance - Beginning of Year	153,969	153,969	153,969	-
Fund Balance - End of Year	\$ 145,644	\$ 145,644	\$ 154,673	\$ 9,029

**TOWNSHIP OF WARNER
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
ROADS FUND
YEAR ENDED MARCH 31, 2004**

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
REVENUES				
Taxes and Assessments	\$ 42,000	\$ 42,000	\$ 44,036	\$ 2,036
EXPENDITURES				
Road Repair and Maintenance	58,000	58,000	7,212	50,788
Excess (Deficiency) of Revenues over Expenditures	(16,000)	(16,000)	36,824	52,824
Fund Balance - Beginning of Year	58,754	58,754	58,754	-
Fund Balance - End of Year	<u>\$ 42,754</u>	<u>\$ 42,754</u>	<u>\$ 95,578</u>	<u>\$ 52,824</u>



Keskin, Cook, Miller, Smith & Alexander LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

June 21, 2004

To the Township Board
Warner Township
Antrim County, MI

We have audited the financial statements of Warner Township for the year ended March 31, 2004. During the course of our audit procedures, we noted the following opportunity for improvement:

1. A budget was not adopted for the fire and ambulance funds of the Township. Accordingly, budget-to-actual financial statements could not be prepared for the fire and ambulance funds.

A budget is required to be adopted for all governmental funds of the Township – including the fire and ambulance funds. We understand that the fire and ambulance property tax dollars are collected and remitted immediately to the Elmira-Warner Fire Authority and Township Ambulance Authority, respectively. However, the taxes are levied under the name of Warner Township and thus must be included in the Township's books and records, and not treated as just an "in-and-out" activity.

Our recommendation is to adopt a budget for these funds in the same fashion as the general and roads fund budgets are prepared. This would bring the Township into compliance with State requirements.

We thank you for the opportunity to be of service to Warner Township. If you would like to discuss this matter further, please call our offices.

Sincerely,

Keskin Cook Miller Smith & Alexander LLP

Keskin, Cook, Miller, Smith & Alexander, LLP